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DIRECTORATE OF
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Special Report

Economic Trends in Black Africa

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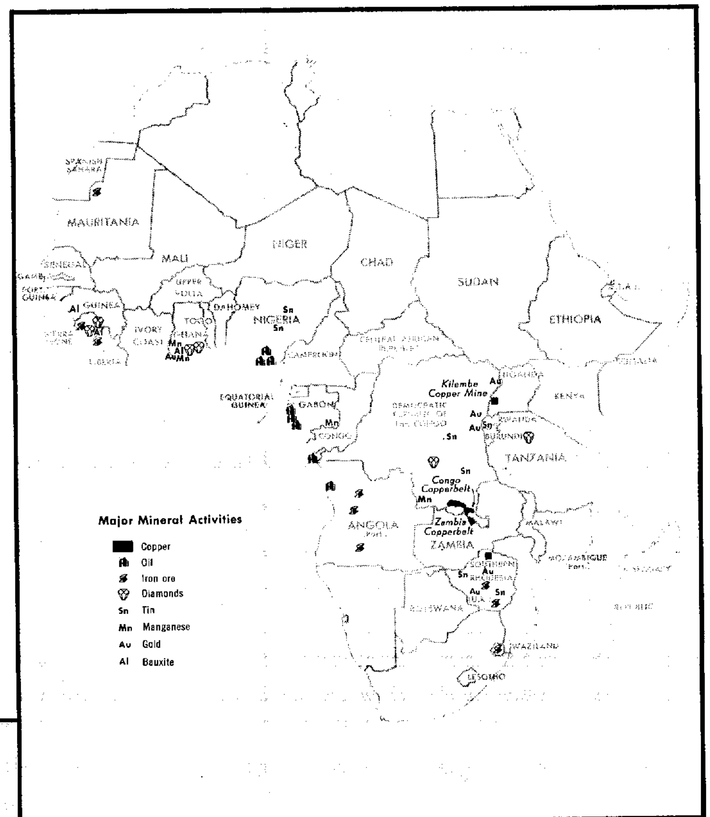
ECONOMIC TRENDS IN BLACK AFRICA

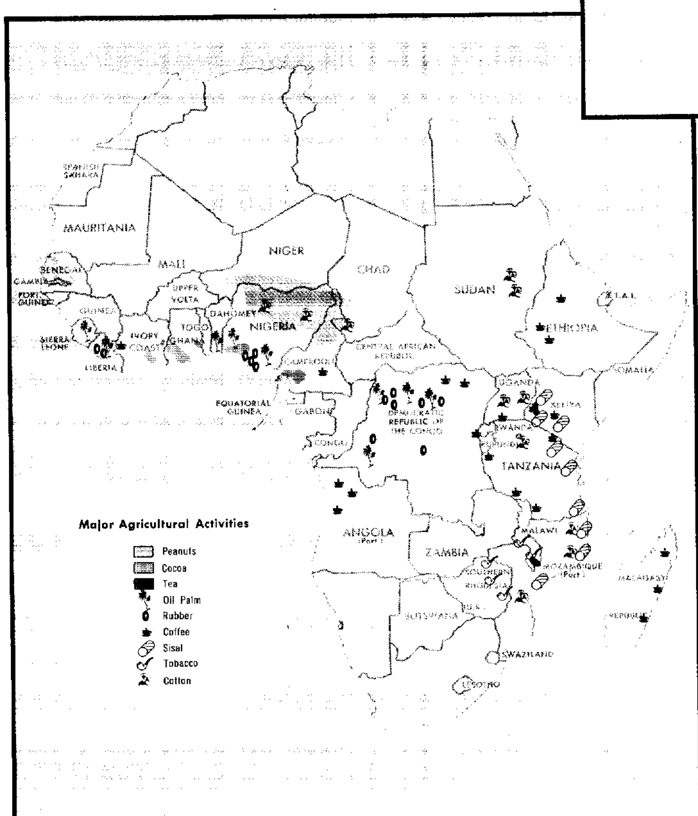
The hopes of the governments of Black Africa (all sub-Saharan countries except South Africa) for achieving rapid economic growth after independence have been largely unfulfilled. The over-all rate of growth of gross national product (GNP) slowed significantly in this area during the 1960s and now lags behind that of most of the rest of the less-developed world. Reduced world demand for the raw materials and agricultural items that Africa produces as well as the lack of skilled persons to operate the modern sector of the economy have been major contributors to the low growth rate in this decade.

Black African countries, however, have avoided certain problems prevalent in other less-developed countries. Food supplies are generally adequate and—except in some of the larger cities—there are few of the crowded shanty towns or the mounting groups of unemployed found in many countries in Asia and Latin America. By and large, the African states have not spent beyond their slender resources, thus avoiding the inflation and debt repayment problems of many underdeveloped countries.

A continued slow rate of growth and development is the best that can be expected in Black Africa during the next five years or so. The conditions required to draw substantial numbers of Africans into the cash economy, and thus achieve rapid broad-based development, will continue to be lacking. A sharp rise in world demands for African agricultural products also is doubtful, and only a few countries appear likely to have the leadership or political conditions that would encourage a large influx of foreign entrepreneurs and capital.

BLACK AFRICA





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ECONOMIC CHARACTERISTICS

Economic similarities among sub-Saharan Africa's 47 political entities are striking. All are poor and backward; the bulk of the population works the land by primitive means, producing only enough food to maintain a bare subsistence living. The combined volume of modern economic activity of this region of approximately 230 million people is less than that of Argentina, which has only about one tenth as many people.

As cash income comes mainly from supplying raw materials and foodstuffs to the developed world, sales abroad mainly determine the size and rate of growth of the African economies outside the subsistence sector. The majority of overseas exports are from foreign-owned and operated plantations and mines using unskilled and semi-skilled labor. Small-scale additional exports are gathered in small lots from numerous farmers who sell part of their output to pay school taxes or to buy inexpensive consumer goods.

Despite its low level of development, Black Africa has been spared some serious problems of other less developed areas. With few exceptions, African countries do not have agonizing over-population problems, and food output is generally adequate. Considerable cultivable land is still available, so that the people can grow more food even without improving their primitive production techniques. Moreover, there are almost none of the economic and social problems created by a land-owning elite.

BLACK AFRICA: Average Annual Real Growth of Gross National Product in Selected Countries 1950-60 and 1960-67

1950-60	AVERAGE ANNUAL RATE OF GROWTH*	1960-67
BELGIAN CONGO GABON KENYA RHODESIA FEDERATION (Rhodesia, Zambia, and Malawi)	10% or over	IVORY COAST MAURITANIA
GHANA IVORY COAST LIBERIA NIGERIA SENEGAL TANGANYIKA UGANDA	5-9%	GABON KENYA LIBERIA ZAMBIA
ANGOLA ETHIOPIA GUINEA MALAGASY REPUBLIC MALI MAURITANIA MOZAMBIQUE SOMALIA SUDAN	2-4%	ANGOLA ETHIOPIA MALAGASY REPUBLIC MALAWI MOZAMBIQUE NIGERIA RHODESIA SENEGAL SOMALIA SUDAN TANZANIA UGANDA
	1% or decline	CONGO (Kinshasa) GHANA GUINEA MALI

* Growth rates are computed between terminal years

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PRELUDE TO INDEPENDENCE

The last decade of the colonial era, the 1950s, was a period of substantial economic growth for Black Africa. Regional gross domestic product in real terms increased by about five percent annually, probably the highest growth rate among less developed areas except for the oil producing countries of the Middle East. This growth was fueled by the booming postwar demand in the industrial countries for many tropical food items and industrial raw materials located in Africa.

Growth was not uniform throughout the region, however. The Rhodesian Federation, Belgian Congo, Gabon, and Kenya grew at around ten percent per year, largely because of a significant infusion of skills and capital from Europe. Good but not spectacular growth of about five percent annually took place in Ghana, Liberia, Nigeria, Uganda, Tanganyika, Senegal, and the Ivory Coast; this progress was largely due to increased sales abroad of African-grown products. Output barely kept pace with population growth in many of the remaining countries, such as the landlocked French territories, Somalia, and Ethiopia.

ECONOMIC PERFORMANCE IN THE 1960s

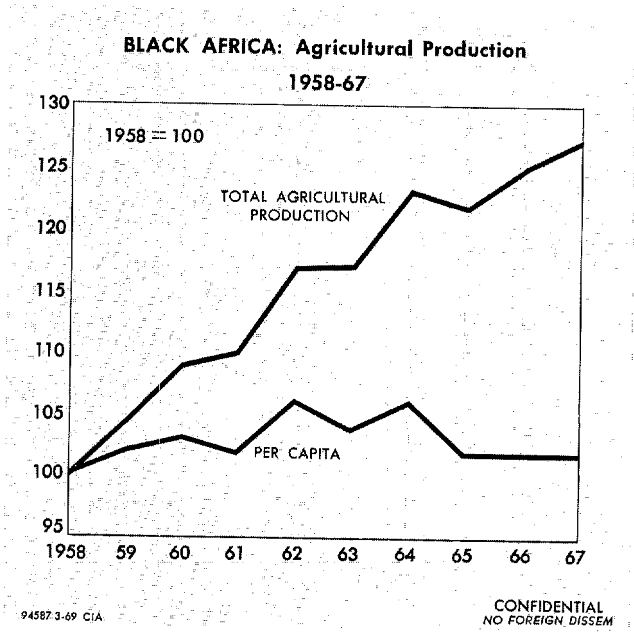
Despite a considerable increase in foreign aid, economic growth in Black Africa during the 1960s slowed to the lowest rate among less developed regions. The real value of exports increased only about four percent annually between 1960 and 1967, half the annual rise during the 1950s. Agricultural exports were retarded by the reduction in the growth of demand in industrial nations; only mineral exports continued to increase rapidly. The domestic market for locally manufactured goods, moreover, failed to expand significantly.

The transition to independence also hampered recent economic growth. The new governments released expatriate civil servants faster than they could be replaced by trained Africans, and the tribal and other ethnic problems that had been contained by the colonial regimes began to re-emerge. Foreign investors hesitated to commit new funds because of uncertainties over the new governments' economic policies.

Of the 47 Black African states and territories, only the Ivory Coast and Kenya have experienced major upsurges in economic activity coupled with a broad distribution of the benefits of progress. Liberia, Gabon, Mauritania, and Nigeria have been growing because of increased mineral and plantation output, but there has been little diffusion of the new income throughout the country. Near stagnation characterizes the remaining countries; some, like Angola, Mozambique, and Tanzania, have been able to grow at rates slightly exceeding population increases, but for the others output has just about kept up with population growth.

The numerous small former French territories, the former Belgian areas of Burundi and Rwanda, and Somalia remain dependent on aid to maintain their pitifully small monetary sectors. Senegal and Uganda, where relatively large numbers of the African population sell some cash crops, have been better able to maintain themselves without financial assistance, but progress has been slow because of their limited export markets. Postindependence upheavals retarded economic growth in the Congo (Kinshasa) while unrealistic development programs hurt Ghana and Guinea.

Despite low growth rates, there have been steady improvements in education and the availability of transport and electric power in most



countries. Most of the available development funds have been spent on these improvements. The effects of such outlays on economic development, however, will be indirect and protracted. In general, Black Africa is constrained from spending more funds directly on increasing production because of the scarcity of skilled manpower and, in agriculture, because of limited internal and external markets.

EMPLOYMENT AND PRODUCTIVITY

Employment in the cash economy has not kept up with even the slow pace of economic growth of the last decade. Although demonstrably inadequate, African statistics suggest that the total number of wage and salary earners probably declined during the decade as mines and plantations increased production largely through imports of modern equipment.

Productivity gains in the vast rural areas have been minimal. Relatively few African farmers have increased their output as a consequence of contact with extension services, which provide seed, credit, information, and marketing services. What little increased output has been achieved has been mainly the result of more Africans tilling more land.

As elsewhere in the world, African urban population has been growing faster than the rural population. The increasing urban-rural pay differential, the prestige of city life, and the rising numbers of school graduates and dropouts have all contributed to the urban migration. Some of the new urban dwellers have found clerical positions in the civil service or jobs in manufacturing, but most have remained unemployed or underemployed. Rather than return to the rural areas, they prefer to remain unemployed urban residents, ostensibly seeking jobs while earning some income as petty traders or occasional wage laborers. Many survive by living with employed relatives who are obliged by custom to help support their less fortunate kin.

FOREIGN ASSISTANCE CRUCIAL

Foreign managers and technical experts still play a crucial role in the economies of Black Africa, and the need for foreign investment continues to increase. During the colonial period, much of the public investment of the seven major countries was financed from government revenues, but now only three—Zambia, the Ivory Coast, and Gabon—are able to do this. Institutions designed to tap domestic savings are underdeveloped. There are still only rudimentary money markets in Lagos and Nairobi and a moderately developed one in Salisbury.

Almost all the additional capital inflow has been in the form of foreign aid, which doubled between 1960 and 1967 from $700 million to $1.4 billion. As a whole, Black Africa receives 50 percent more foreign aid per capita than the average for all free world less developed regions. At least two thirds of the foreign assistance is used to maintain school, health, and other service facilities, with a large portion of the additional foreign aid since independence used to overcome post-colonial problems. The inflow of private capital, which can be only roughly estimated because of inadequate statistics, has remained about constant, at roughly $400 million per year.

Close and growing economic relations with the rest of the world are essential for development in Black Africa, but the rest of the world could find alternate suppliers of Africa's major exports relatively easily. Even those West European countries that have the closest economic ties with Africa could take the loss of these markets and suppliers without much economic disruption.

METROPOLE-AFRICAN ALIGNMENTS

Among the newly independent countries, the former French territories retain the closest economic links with the metropole as both France and the francophone states benefit from their present arrangements. France insulates these states from many economic and financial problems by guaranteeing the full convertibility of their currencies, by providing sheltered markets for exports, and by furnishing about $300 million annually in financial and technical assistance, mainly as grants. In return, through formal and informal means, the French have secured guaranteed markets for their products, and private French interests dominate most local enterprises.

A portion of the French support of its former colonies has been shifted to the European Economic Community (EEC) in recent years. Whereas Paris supplied about 90 percent of the aid to the area in 1961, by 1966 this share had dropped to 65 percent and the EEC portion had risen to about 25 percent. French price subsidies and tariff concessions on the export products of these African countries have been removed in favor of less extensive EEC preferences and subsidies. In the commercial sphere, however, few non-French firms have encroached upon France's domination, and France has retained its 50-percent share of this market.

In comparison with the francophone countries, the former British territories are relatively independent in making their economic and financial decisions. British firms and banks still play a large role in this area's business activity, but the UK's economic and financial stake in Africa is diminishing. African sterling countries have been selling sterling for several years to diversify their foreign exchange holdings, and they do not grant preferential treatment to UK goods in return for the British tariff concessions and subsidies they receive. The UK gives less than $2 per capita ($200 million a year) in aid compared with $6 per capita from Paris.

Portugal exercises tight control over the economic and monetary affairs of its territories of Angola, Mozambique, and Portuguese Guinea. The Portuguese dominate business within the territories and protect their interests by restricting non-Portuguese investments. Lisbon supplies almost all foreign aid, which averages about $30 million annually, or about $2 per capita, to these three client states.

The Congo (Kinshasa) remains the preserve of Belgian business interests. Part of the once extensive Belgian business community has stayed on to protect what is left of its holdings, but new private investment from any source has been negligible. Although former monetary links have been dissolved, the Belgian central bank and the local commercial banks still provide most of the Congo's external financial services.

All other Black African countries have independent currencies, except Liberia, which uses the dollar as its official currency and does not have a separate central bank. US private investment in Liberia of about $200 million is the largest private US stake in Africa, and the US Government supplies most of the aid funds available to Monrovia. In Ethiopia the US is the main source of aid, but the Italians are more important commercially; in neighboring Somalia the Italians are pre-eminent in both commerce and aid.

MONETARY POLICIES AND PROBLEMS

Most African countries have avoided the monetary instability characteristic of many countries at a later stage of economic development, particularly in Latin America. There has been little inflation, deficit spending has been kept under control, foreign borrowing has been kept within reasonable limits, and foreign exchange reserves by and large have been maintained.

In the few countries that have deviated from conservative monetary and fiscal policies—Ghana, Guinea, Mali, and to a lesser extent Sierra Leone—considerably increased government spending brought about inflation, declines in the free market value of the national currencies, and sharp drops in foreign exchange reserves.

ATTEMPTS AT REGIONAL INTEGRATION

With independence Africa inherited some of the world's oldest economic unions, but many of those have since disintegrated, particularly in former UK colonies. The deterioration of regional institutions in East Africa—Kenya, Uganda, and Tanzania—began when the common currency was abandoned in 1966 and various restrictions were placed on the formerly free flow of goods, services, and capital. A cooperative agreement signed in 1967 prevented further disintegration, but the member states are still unwilling to commit themselves to full cooperation.

Most former French states have continued to use a common currency, the CFA franc, and some of these countries have adopted common external tariffs. These connections have not resulted in much economic cooperation among the member states inasmuch as they are designed primarily to retain French control over monetary policy.

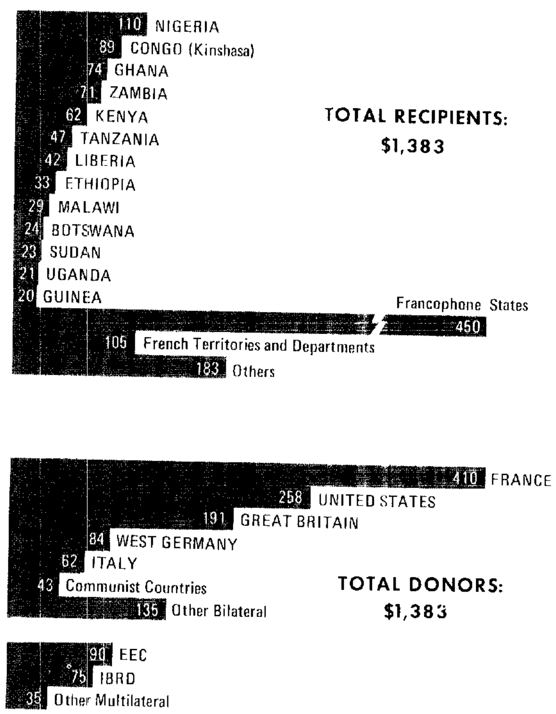
Economic nationalism is the principal factor hindering the development of intra-African cooperation. African leaders pay lip service to closer cooperation, but they generally act in their own narrow self-interest, insisting on their individual symbols of economic progress, such as oil refineries and textile mills. This duplication process has been partially responsible for the decline of intra-African trade by about 20 percent from 1965 to 1968.

EXPORT MARKETS

Exports of African agricultural products—the key to broad-based economic development—have increased slowly during the past decade because of sluggish demand in world markets. Also

BLACK AFRICA:
Major Foreign Aid Recipients and Donors, 1967*

MILLION US DOLLARS



**In gross disbursements except for the IBRD.*

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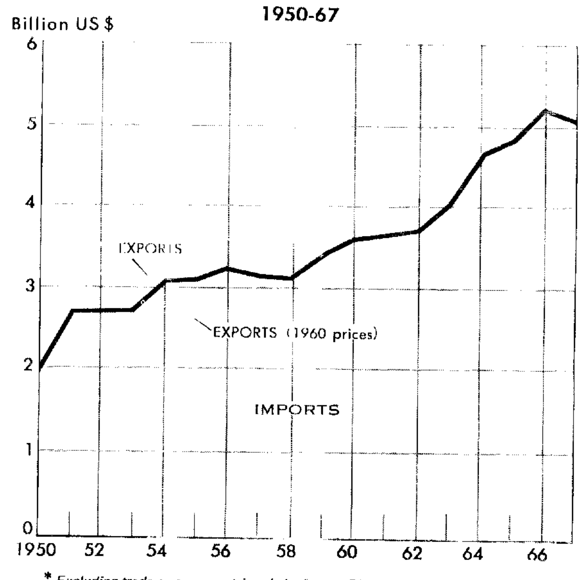
BLACK AFRICA: Foreign Trade *
1950-67



** Excluding trade among countries of the former Rhodesian Federation (Rhodesia, Zambia, and Malawi) and among countries of former British East Africa (Kenya, Tanganyika, and Uganda).*

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working against greater African exports has been the competition from synthetic materials which have depressed shipments abroad of cotton, sisal, and rubber. Peanut exports also are beginning to suffer from competition with other oilseeds, such as soybeans. Finally, agricultural exports of the francophone states have fallen because of the loss of French preferences and subsidies.

Many Black African countries have tried to boost agricultural exports by introducing new crops. Although the EEC has committed several hundred million dollars to this end, progress has been disappointing, mainly because most tropical products still face saturated markets. International commodity agreements, moreover, freeze the proportion of the market presently held by each producing country.

Mineral and oil shipments abroad have been rising sharply in the 1960s. Their share in total African exports has increased from about 25 percent to about 40 percent during the last decade. This trend is continuing because new mineral investments, amounting to nearly a billion dollars according to current estimates, are now being undertaken or are soon scheduled to get under way, primarily in six Black African states.

The growth in demand for some African minerals is due mainly to their competitive advantage. As older sources of basic minerals, such as bauxite and iron ore, are depleted elsewhere, exploitation of the richer African deposits is increasing. Other traditional African minerals, however, do not have a competitive advantage that would allow them to enlarge their share of the world market, and world demand for these minerals is not growing rapidly.

Short-term changes in world market prices for Africa's agricultural and mineral exports have had little impact on the economies of most of these countries in the 1960s. The decline from the unusually high prices after World War II and during the Korean conflict had been completed by 1960. Short-term price declines since then have been handled relatively easily, even by those countries that are highly dependent on one export commodity. They have temporarily drawn down their foreign exchange holdings or adjusted their level of imports to export receipts.

OUTLOOK

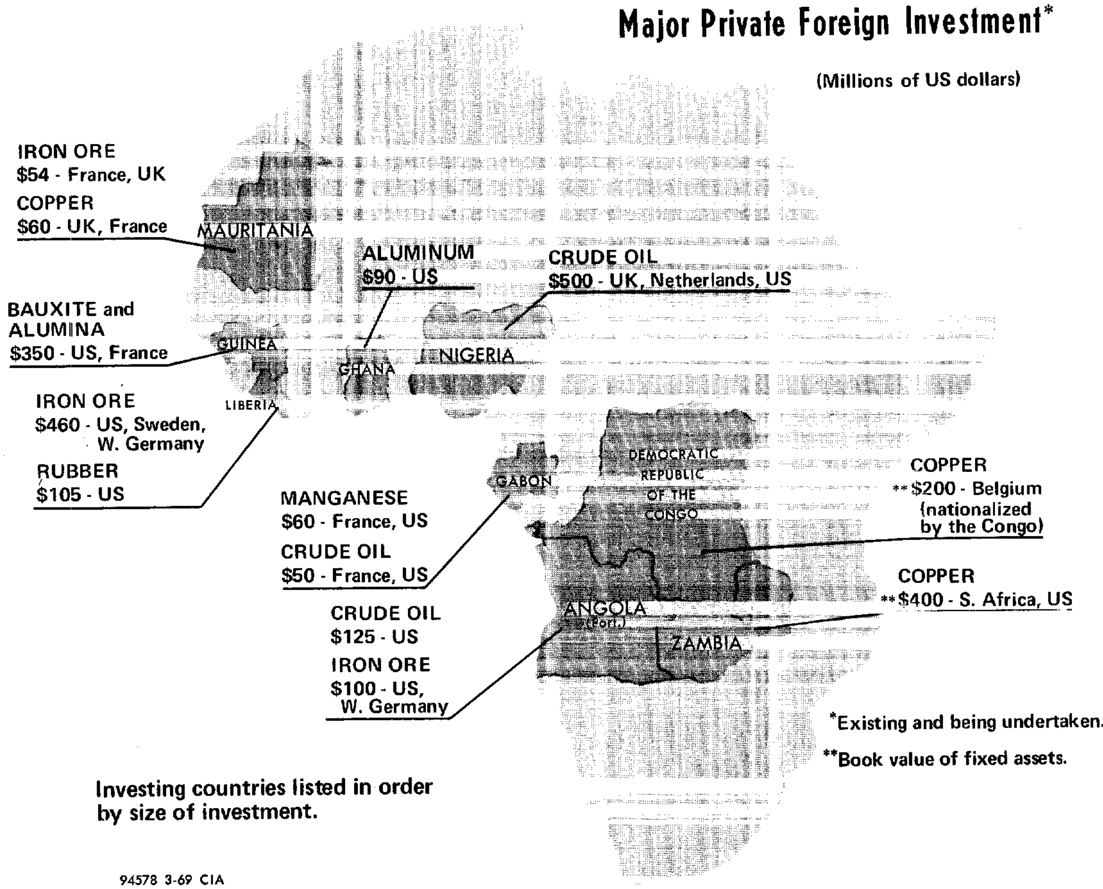
Africa's fundamental economic structure, which has changed little during the past two decades, should remain about the same at least during the next five years. Exports are not likely to increase at more than two percent annually because of sluggish world demand for tropical products. Although several countries will earn adequate development funds from mineral exports, most Black African states will continue to rely on foreign aid.

Recently the major aid donors—France, the UK, and the US—have been reducing their commitments to Black Africa. Other large donors, such as Germany, Italy, the EEC, and the IBRD, may do little more than keep aid levels from falling. Among the Communist countries, China's aid is likely to rise substantially as that country follows through on its commitment to build the Tanzania-Zambia railroad. But even this would add only about five percent to aid receipts.

Development will be slow even in those countries receiving large funds from foreign aid or

BLACK AFRICA
Major Private Foreign Investment*

(Millions of US dollars)



*Existing and being undertaken.
**Book value of fixed assets.

Investing countries listed in order by size of investment.

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mineral revenues. Because of the limited export markets available, only a small portion of government development spending can be used profitably to increase agricultural production. Most outlays will be for projects that only indirectly affect output--roads, schools, and agricultural extension services--and this will bring about only gradual development.

For the most part, individual country growth rates probably will approximate those of the past few years. A high rate of economic growth--five to ten percent annually--and broad-based development are likely only in black-ruled Kenya and Ivory Coast but should occur in white-ruled Rhodesia once the UN sanctions have been ended. Growth rates above five percent annually will almost certainly take place in those few countries with rapidly expanding mineral exports, especially Mauritania, Guinea, Liberia, and Nigeria--when and if the present political troubles have ended. In most countries, however, economic growth will remain between two and four percent a year, a discouraging rate in light of Black Africa's present problems and possible increases in population.

A number of African countries probably will experience political instability at one time or another in the next few years; this would almost certainly reduce their rates of economic growth. In some countries the danger persists that economic factors such as falling exports and reduced foreign aid may exacerbate xenophobic tendencies and force the departure of foreigners essential to operate the modern economy. *(CONFIDENTIAL NO FOREIGN DISSEM)*

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